

Message Text

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64

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 IO-10

/118 W

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R 241243Z NOV 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4158

INFO AMEMBASSY ABU DHABI

AMEMBASSY ANKARA

AMEMBASSY BEIRUT

AMEMBASSY BELGRADE

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MONROVIA

AMEMBASSY MUSCAT

AMEMBASSY SANA

AMEMBASSY TEHRAN

AMEMBASSY TUNIS

AMEMBASSY BUCHAREST

/USINT BAGHDAD (BY POUCH)

C O N F I D E N T I A L KUWAIT 4941

E.O. 11652: GDS

TAGS: ENRG, EINV KU

SUBJECT: KUWAITI INVESTMENT IN FOREIGN PETROLEUM RELATED
PROJECTS

1. KUWAIT APPEARS TO BECOMING INCREASINGLY INTERESTED IN
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INVESTING IN FOREIGN PETROLEUM-RELATED PROJECTS. IN

RETROSPECT THIS INTEREST IS NOT NEW. AS DEPARTMENT AWARE KUWAIT NATIONAL PETROLEUM COMPANY OWNS PARTIAL INTEREST IN A REFINERY IN RHODESIA, BUT BECAUSE OF UN ECONOMIC SANCTIONS KUWAITIS NOT ABLE EARN ANY RETURN OR OTHERWISE FOLLOW THROUGH ON THIS INVESTMENT. AS FAR AS WE KNOW, HOWEVER, KNPC HAS NEVER SOLD ITS SHARE OF RHODESIAN REFINERY. ANOTHER RELATIVELY OLD INVESTMENT IS PETROCHEMICAL INDUSTRIES COMPANY (PIC) SHARE OF MERSIN FERTILIZER PLANT IN TURKEY, AN INVESTMENT THAT HAS NEVER BEEN SUCCESSFUL IN COMMERCIAL TERMS.

2. IN PAST FEW YEARS KUWAITI RECORD HAS CONTINUED TO BE LESS THAN BRIGHT. KNPC WAS VERY INTERESTED IN INVESTING IN PRODUCT TERMINAL FACILITY IN NEW JERSEY, BUT US PARTNERS WERE NEVER ABLE TO OBTAIN ENVIRONMENTAL CLEARANCES. EVENTUALLY OUTLOOK FOR PRODUCT EXPORTS TO US DIMMED AND KNPC ABANDONED PROJECT. GOK, THROUGH KUWAIT FOREIGN TRADING CONTRACTING AND INVESTMENT COMPANY IS MAJOR PARTICIPANT IN SUMED PIPELINE IN EGYPT, AND IN SIMILAR MANNER KUWAIT WILL PROVIDE SUBSTANTIAL FINANCING FOR PAN-ADRIA PIPELINE IN YUGOSLAVIA. WE HAVE HEARD GRUMBLING ABOUT SUMED PROJECT BY KUWAITIS, AND PLANS BY PIC TO INVEST IN EGYPTIAN FERTILIZER PLANTS THAT WE UNDERSTOOD WERE PART OF LARGER INDUSTRIAL COMPLEXES RELATED TO SUMED PROJECT WERE DROPPED. PIC SHIFTED ITS INTEREST TO SIMILAR PROJECT IN TUNISIA, BUT WE UNDERSTAND THAT KUWAITIS ARRIVED TOO LATE AND WERE NOT SUCCESSFUL IN TUNISIA EITHER. (KUWAIT ALSO HAS MADE INVESTMENTS IN CERTAIN INTER-ARAB PROJECTS AS MEMBER OF OAPEC.)

3. DESPITE THIS LESS THAN ENCOURAGING RECORD, WE ARE AWARE OF OTHER PROJECTS CURRENTLY UNDER DISCUSSION. MOST IMPORTANT WOULD BE PARTICIPATION BY KUWAIT IN \$1 BILLION ROMANIAN PETROCHEMICAL PROJECT. HOWEVER, WE HAVE LEARNED THAT AT TECHNICAL LEVEL KUWAITIS HAVE DOUBTS OVER COMMERCIAL VIABILITY OF ROMANIAN PROJECT. WE HAVE ALSO LEARNED OF POSSIBLE INVESTMENTS IN LPG TERMINAL FACILITIES IN US, AND PRODUCT STORAGE FACILITIES IN THE NETHERLANDS. A GROUP OF PRIVATE KUWAITIS IS SERIOUSLY INTERESTED IN PURCHASING SHARE OF AMERICAN COMPANY IN REFINERY IN LIBERIA. DEPENDING ON HOW KUWAIT OIL COMPANY TAKEOVER TALKS GO, PARTICULARLY WITH RESPECT TO BP, THERE IS POSSIBILITY THAT GOK WILL BECOME INVOLVED WITH BP REFINERY IN ADEN. KNPC ALREADY HAS JOINT VENTURE BUNKERING OPERATING

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IN PDRY, THE YEMEN-KUWAIT TERMINAL COMPANY (ADEN).

4. THUS, BY NOW KUWAIT HAS INTERESTS IN PETROLEUM-RELATED OPERATIONS IN SOUTH YEMEN, EGYPT, TURKEY, RHODESIA, AND YUGOSLAVIA. OVER NEXT FEW YEARS AS KNPC OPERATIONS EXPAND AND NEW, MAJOR LPG FACILITY CONSTRUCTION IS COMPLETED REASONABLY GOOD PROSPECTS EXISTS THAT INVESTMENTS WILL BE MADE IN US, EUROPE AND PROBABLY JAPAN. PIC MAY POSSIBLY BE INTERESTED

IN PROJECT SOMEWHERE NOW THAT EGYPTIAN AND TUNISIAN POSSIBILITIES HAVE FAILED TO MATERIALIZE. MAJOR ROMANIAN INVESTMENT IS A POSSIBILITY.

5. HOW THESE INVESTMENTS WILL BE COORDINATED REMAINS TO BE SEEN. PRESUMABLY THEY WILL BE REVIEWED BY HIGHER PETROLEUM COUNCIL WHICH IS CHAIRED BY PRIME MINISTER AND WHICH INCLUDES MINISTERS OF OIL AND FINANCE, AMONG OTHERS, AS MEMBERS. WE THINK IT PROBABLE, HOWEVER, THAT MINISTERS OF OIL AND FINANCE AND MAJOR COMPANIES SUCH AS PIC AND KNPC WILL EACH ATTEMPT TO ASSERT ITSELF IN THIS AREA. THERE ALREADY ARE SOME INDICATIONS, IN CONNECTION WITH ROMANIAN PROPOSAL, THAT FINANCE MINISTER ATEEQI WANTS LAST SAY SINCE AN INVESTMENT IS INVOLVED. WE WOULD NOT BE SURPRISED, HOWEVER, IF MINISTRY OF OIL AND PIC RESISTED ATEEQI. INEVITABLY, MAJOR PETROLEUM-RELATED PROJECTS IN WHICH GOK WILL WISH TO CONSIDER INVESTING PROBABLY WILL ALMOST ALWAYS INVOLVE COMPLICATED POLITICAL AND ECONOMIC DECISIONS THAT MAY BE DIFFICULT TO RESOLVE. NEVERTHELESS, KUWAITI RECORD INDICATES WILLINGNESS TO MAKE INVESTMENTS OUTSIDE COUNTRY IN DOWNSTREAM ACTIVITIES, AND MORE INVESTMENTS CAN BE EXPECTED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, FOREIGN INVESTMENT, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUWAIT04941
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750409-0966
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751116/aaaaanwt.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by MartinML>; APPROVED <21 OCT 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAITI INVESTMENT IN FOREIGN PETROLEUM RELATED PROJECTS
TAGS: ENRG, EINV, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006